





OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR CLOSING NAVAL AIR STATION CECIL FIELD, FLORIDA, AND REALIGNING PROJECTS TO VARIOUS SITES

Report No. 94-146

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Department of Defense

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Acronyms

BRAC Base Realignment and Closure
COBRA Cost of Base Realignment Actions
MCAS Marine Corps Air Station
MILCON Military Construction
NAS Naval Air Station
NAVFAC Naval Facilities Engineering Command



INSPECTOR GENERAL

DEPARTMENT OF DEFENSE 400 ARMY NAVY DRIVE ARLINGTON, VIRGINIA 22202-2884



June 21, 1994

MEMORANDUM FOR COMPTROLLER OF THE DEPARTMENT OF
DEFENSE
ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)
ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT)

SUBJECT: Audit of Defense Base Realignment and Closure Budget Data for Closing Naval Air Station Cecil Field, Florida, and Realigning Projects to Various Sites (Report No. 94-146)

We are providing this report for your review and comments. This is one in a series of reports about FYs 1994 and 1995 base realignment and closure military construction costs. The report addresses the closure of Naval Air Station Cecil Field, Jacksonville, Florida, and the realignment of the aircraft and dedicated personnel to military installations in Virginia, North Carolina, and South Carolina. Comments from the Office of the Assistant Secretary of Defense (Health Affairs) on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all recommendations and potential monetary benefits be resolved promptly. The Navy did not provide comments on the draft of this report. Therefore, we redirected the recommendations to reduce and reprogram funding to the Comptroller of the Department of Defense. We request that the Comptroller of the Department of Defense and the Navy provide comments on the unresolved recommendations and the potential monetary benefits by July 21, 1994.

The courtesies extended to the audit staff are appreciated. If you have questions on this audit, please contact Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. Thomas W. Smith, Audit Project Manager, at (703) 604-9314 (DSN 664-9314). Appendix D lists the distribution of the report. The audit team members are listed inside the back cover.

David K. Steensma Deputy Assistant Inspector General

David R. Steinsma

for Auditing

Office of the Inspector General, DoD

Report No. 94-146 (Project No. 4CG-5008.01) June 21, 1994

DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR CLOSING NAVAL AIR STATION CECIL FIELD, FLORIDA, AND REALIGNING PROJECTS TO VARIOUS SITES

EXECUTIVE SUMMARY

Introduction. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, directs the Secretary of Defense to ensure that the amount of the authorization that DoD requested for each military construction project associated with base realignment and closure does not exceed the original estimated cost provided to the Commission on Defense Base Closure and Realignment (the Commission). If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to explain to Congress the reasons for the differences. The Inspector General, DoD, is required to review each base realignment and closure military construction project for which a significant difference exists from the original cost estimate and to provide the results of the review to the congressional Defense committees. This is one in a series of reports about FYs 1994 and 1995 base realignment and closure military construction costs.

Objectives. The overall audit objective was to determine the accuracy of Defense base realignment and closure military construction budget data. This report provides the results of the audit of seven projects, valued at \$21.4 million, associated with the closure of Naval Air Station Cecil Field, Florida, and the realignment of aircraft and dedicated personnel, equipment, and support services to Naval Air Station Oceana, Virginia; Marine Corps Air Station Cherry Point, North Carolina; and Marine Corps Air Station Beaufort, South Carolina.

Audit Results. For the seven projects, the Navy did not adequately determine the scope and the most economical way to accommodate the assigned mission. As a result, seven projects, estimated to cost \$21.4 million, could not be validated and are therefore questionable. However, an economic analysis provided in response to a draft of this report, completed April 8, 1994, by the Office of the Deputy Assistant Secretary of Defense (Health Services Operations) validated one project for \$3.1 million. See the finding in Part II for details.

Internal Controls. Navy internal controls and the implementation of the DoD Internal Management Control Program were not effective because they did not prevent or identify material internal control weaknesses in planning and programming requirements for base realignment and closure military construction projects. During the audit, the Commander, Naval Facilities Engineering Command, issued guidance establishing a requirement at all Naval Facilities Engineering Command field activities to validate Defense base realignment and closure military construction requirements and improve the budget estimating process. This policy, when fully implemented, should enhance controls over base realignment and closure project estimates and correct the material internal control weaknesses at Naval Facilities Engineering Command activities. However, the Commander In Chief, Atlantic Fleet, and the Naval Bureau of Medicine and Surgery did not effectively implement the DoD Internal Management Control Program. See Part I for the internal controls reviewed and the finding in Part II for details on the internal control weaknesses identified.

Potential Benefits of Audit. Implementation of the recommendations will allow DoD to put to better use up to \$17.8 million of base realignment and closure military construction funds and will strengthen internal controls. Strengthening Navy internal controls will ensure the accuracy of budget estimates for military construction projects resulting from base realignments and closures and could result in additional monetary benefits. However, we could not quantify the amount. Appendix C summarizes the potential benefits resulting from audit.

Summary of Recommendations. We recommend an analysis of requirements to determine the most cost-effective alternative for base realignment and closure military construction projects. We also recommend implementing internal control procedures and withholding funding until the Navy determines the most cost-effective alternative for each project.

Management Comments. The Deputy Assistant Secretary of Defense (Health Services Operations) nonconcurred with the finding discussion that stated that project P-500T was not adequately documented. The Deputy Assistant Secretary did not agree that the validity of project P-500T, "Flight Line Clinic," was questionable. The Deputy Assistant Secretary stated that, on April 8, 1994, his Economic Analysis and Management Support Directorate completed a detailed analysis of the requirements for the flight line clinic. The analysis determined that the most cost-effective alternative for providing a health care facility to meet the needs of the incoming force from Naval Air Station Cecil Field is a small clinic for active-duty personnel. The Navy did not provide comments on a draft of this report. Therefore, we revised and redirected the recommendations to withhold funding on six projects to the Comptroller of the Department of Defense. See Part II for a discussion of management comments and Part IV for the complete text of the management comments.

Audit Response. Although the Deputy Assistant Secretary of Defense (Health Services Operations) nonconcurred with the finding discussion of the flight line clinic project, the actions taken by the Office of the Deputy Assistant Secretary satisfied the recommendation to conduct an economic analysis. Further, we agree that the April 8, 1994, economic analysis supports the need for the flight line clinic. No additional comments are required from the Office of the Assistant Secretary of Defense (Health Affairs).

We request comments from the Comptroller of the Department of Defense and the Navy on the unresolved issues by July 21, 1994.

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This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Part I - Introduction

Background

Initial Recommendations of the Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Using cost estimates provided by the Military Departments, the Commission recommended 59 base realignments and 86 base closures. On October 24, 1988, Congress passed, and the President signed, Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," which enacted the Commission's recommendations. Public Law 100-526 also established the DoD Base Closure Account to fund any necessary facility renovation or military construction (MILCON) projects associated with base realignments and closures (BRAC).

Subsequent Commission Requirements and Recommendations. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. Public Law 101-510 chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. The law also stipulated that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

The 1991 Commission recommended that 34 bases be closed and 48 bases be realigned, resulting in an estimated net savings of \$2.3 billion during FYs 1992 through 1997, after a one-time cost of \$4.1 billion. The 1993 Commission recommended closing 130 bases and realigning 45 bases, resulting in an estimated net savings of \$3.8 billion during FYs 1994 through 1999, after a one-time cost of \$7.4 billion.

Military Department BRAC Cost-estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model (COBRA). COBRA uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare DD Form 1391, "FY 1994 Military Construction Project Data," for individual MILCON projects required to accomplish the realigning actions. COBRA provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requests for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to explain to Congress the reasons for the differences. Also, Public Law 102-190

prescribes that the Inspector General, DoD, must evaluate significant increases in MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Objectives

The overall audit objective was to determine the accuracy of Defense BRAC MILCON budget data. The specific objectives were to determine whether the proposed projects were valid BRAC requirements, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. The audit also evaluated the implementation of the DoD Internal Management Control Program and assessed the adequacy of applicable internal controls. This report provides the audit results of the review of seven BRAC MILCON projects to support the realignment of Naval Air Station (NAS) Cecil Field, Florida, to various sites in Virginia, North Carolina, and South Carolina.

Scope and Methodology

Limitations to Overall Audit Scope. COBRA develops cost estimates as a BRAC package for a particular realigning or closing base and does not develop estimates by individual BRAC MILCON project. Therefore, we were unable to determine the amount of cost increases for each individual BRAC MILCON project.

Overall Audit Selection Process. We compared the total COBRA cost estimates for each BRAC package with the Military Departments' and the Defense Logistics Agency's FYs 1994 through 1999 BRAC MILCON \$2.6 billion budget submission. We selected BRAC packages for which:

- o the package had an increase of more than 10 percent from the total COBRA cost estimates to the current total package budget estimates or
- o the submitted FYs 1994 and 1995 budget estimates were more than \$21 million.

Specific Audit Limitations for This Audit. The closure of NAS Cecil Field resulted in the realignment of aircraft and dedicated personnel, equipment, and support services to NAS Oceana, Virginia; Marine Corps Air Station (MCAS) Cherry Point, North Carolina; and MCAS Beaufort, South Carolina. Eight FYs 1994 and 1995 BRAC MILCON projects, valued at \$164.1 million, are planned at the gaining locations. The Naval Audit Service reviewed the documentation for one of the eight projects, valued at \$142.7 million. We reviewed the remaining seven projects, valued at \$21.4 million. See Appendix A for a list of the base realignment and closure military construction

projects we reviewed. Eight additional BRAC MILCON projects, estimated at \$102 million, including a \$37.5 million military housing project, are scheduled for implementation during FY 1996.

Audit Standards, Potential Benefits, and Locations. This economy and efficiency audit was made from January through March 1994 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included tests of internal controls considered necessary. The audit did not rely on computer-processed data or statistical sampling procedures. See Appendix C for the potential benefits resulting from the audit. Appendix D lists the organizations visited or contacted during the audit.

Internal Controls

Internal Controls Reviewed. The audit reviewed internal controls over validating BRAC MILCON requirements. Specifically, we reviewed Navy procedures for planning, programming, budgeting, and documenting BRAC MILCON requirements applicable to seven realignment projects associated with closing NAS Cecil Field. We also examined Navy procedures for identifying and correcting inaccurate BRAC MILCON project requirements.

Internal Control Weaknesses Identified. The audit identified material internal control weaknesses as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. Navy internal controls and the implementation of the DoD Internal Management Control Program were not effective because they did not prevent or identify material internal control weaknesses in the accuracy of the BRAC requirement for seven MILCON projects. We also examined the portion of the DoD Internal Management Control Program applicable to validating the accuracy of BRAC MILCON budget requirements. The program failed to prevent or detect the internal control weaknesses because BRAC funding was not an assessable unit. See Part II for a discussion of the seven BRAC MILCON projects.

Command Efforts to Improve Internal Controls. In December 1993, the Commander, Naval Facilities Engineering Command (NAVFAC), issued guidance establishing a requirement at all NAVFAC field activities to validate BRAC MILCON requirements and improve the budget estimating process. NAVFAC field activities full implementation of this policy should enhance controls over BRAC project estimates because the policy provides for applying the existing criteria to validate regular MILCON project requirements. Implementation of the DoD Internal Management Control Program will also be strengthened by including the validation of BRAC MILCON project requirements as an assessable unit. Because of the Commander, NAVFAC, efforts, we made no recommendations concerning the internal controls to NAVFAC.

Internal Controls Requiring Implementation. The Commander In Chief, Atlantic Fleet, and the Naval Bureau of Medicine and Surgery failed to identify the internal control weaknesses and have not implemented the DoD Internal Management Control Program. Recommendations 3. and 4., if implemented, will correct the internal control weaknesses. We could not determine the monetary benefits that could be realized by implementing the recommendation concerning internal controls because the benefits will result from future decisions and future budget estimates. See Appendix C for the potential benefits resulting from the audit. A copy of the final report will be provided to the senior official responsible for internal controls in the Department of the Navy.

Prior Audits and Other Reviews

Since 1991, 46 audit reports have addressed DoD BRAC issues. Appendix B lists selected DoD and Navy BRAC reports.

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Part II - Finding and Recommendations

Determining Alternatives to New Construction

Navy officials did not determine the most economical alternative to establishing BRAC MILCON projects to accomplish the realignment of functions from NAS Cecil Field. The Navy did not evaluate alternatives because Navy officials did not perform required economic analyses and did not consider alternatives resulting from mission changes, projected base loading changes, and existing facilities re-use. As a result, the requirements for six projects estimated to cost \$17.8 million, could not be validated and are therefore questionable.

Background

Closure Actions at NAS Cecil Field. We reviewed seven projects resulting from the following relocation actions that support the recommended closure of NAS Cecil Field.

- o The Aircraft Intermediate Maintenance Division, six Navy S-3 Viking aircraft (S-3) squadrons, one S-3 fleet replacement squadron, and wing support personnel relocate to NAS Oceana.
- o Thirteen Navy F/A-18 Hornet strike-fighter aircraft (F/A-18) squadrons and one fleet replacement Navy F/A-18 squadron relocate to MCAS Cherry Point.
- o One Marine Corps reserve F/A-18 squadron, one Navy reserve F/A-18 squadron, and one Naval reserve carrier air wing relocate to MCAS Beaufort.

Criteria Used to Develop Facility Requirements. NAVFAC Instruction 11010.44E, "Shore Facilities Planning Manual," October 1, 1990, describes the MILCON planning process as determining what facilities are needed by an organization based on an analysis of the mission, workload, assigned tasks, and base loading.

The criteria contained in NAVFAC Publication P-80, "Facilities Planning Criteria for Navy and Marine Corps Shore Installations," October 1982, in conjunction with the guidance in NAVFAC Instruction 11010.44E, is used to determine the scope of MILCON projects (facility requirements). However, BRAC MILCON requirements are limited to the lessor of an organization's requirement or facility occupied at the losing installation.

Requirement for Economic Analysis of Alternatives

The goal of the planning process is to reduce facility deficiencies with the most cost-effective means available while meeting mission requirements. Facility planners are required to explore various alternatives to satisfy requirements before resorting to new construction. NAVFAC Instruction 11010.44E requires an economic analysis when more than one viable alternative exists. When viable alternatives are not considered, management has no basis for making sound MILCON planning, programming, and budgeting decisions. NAVFAC Pamphlet P-442, "Economic Analysis Handbook," describes the process that should be used when several alternatives exist that will satisfy the project requirement.

Realignment to NAS Oceana

To support the S-3 operations, training, and maintenance requirements at NAS Oceana, the Navy initiated the following three projects in the FY 1994 BRAC MILCON budget:

- o project P-186T, "Training and Operations Facility," November 3, 1993, valued at \$2.6 million,
- o project P-187T, "Academic Instruction Building," November 3, 1993, valued at \$2.6 million, and
- o project P-188T, "Aircraft Engine and Avionics Maintenance Facility Additions," November 3, 1993, valued at \$2.8 million.

A-6 Intruder Attack Aircraft Mission at NAS Oceana Phasing Out. As of February 13, 1994, NAS Oceana supports six A-6 Intruder Attack Aircraft (A-6) squadrons, A-6 maintenance operations, and A-6 mechanics training. Originally, all A-6 squadrons were to be phased out of NAS Oceana by the end of FY 1999. However, a January 11, 1994, Office of the Commander in Chief, Atlantic Fleet, memorandum states the plans are being accelerated and that the A-6 squadrons are expected to be phased out by the end of FY 1997. It is also anticipated that training of A-6 mechanics could be disestablished up to 1 year before the A-6 aircraft phaseout. In addition, the S-3 aircraft relocation from NAS Cecil Field to NAS Oceana could be timed to coincide with the A-6 phaseout without affecting the closing of NAS Cecil Field. Under either of these conditions, facilities at NAS Oceana that are occupied by A-6 mechanics training would be vacant by the time the S-3 squadrons arrive.

Training and Operations Facility. Project P-186T is for the construction of a facility to house S-3 training simulators and provide a sonobuoy storage facility. NAVFAC Publication P-80 provides criteria for flight simulators based on the number of squadrons, type of squadrons, and number of trainers. The NAVFAC Publication P-80 does not contain criteria for sonobuoy storage.

Original Estimate for Training and Operations Facility. At NAS Cecil Field, the existing simulator training operation occupies 21,604 square feet and the sonobuoy storage occupies 2,400 square feet. In the FY 1994 budget submission, project P-186T consisted of 12,000 square feet for the simulators and 5,000 square feet for the sonobuoy storage for a total cost of \$2.6 million. The 12,000 square feet for the simulators was supported according to NAVFAC Publication P-80 criteria. However, the 5,000 square feet for the sonobuoy storage was not supported because the NAVFAC Publication P-80 does not cover this specific type of storage facility.

Revised Estimate for Training and Operations Facility. In January 1994, NAVFAC revised the DD Form 1391 to reflect an estimated cost of \$4.8 million. The project scope was changed to 24,020 square feet for the simulators and 2,400 square feet for the sonobuoy storage. The storage facility request was justified by the amount of existing space at NAS Cecil Field. However, BRAC MILCON requirements are limited to the lessor of an organization's requirement or facility occupied at the losing installation. Therefore, only 12,000 square feet for the simulators was justified, in accordance with NAVFAC Publication P-80 criteria.

Academic Instruction Building. Project P-187T is for the construction of a building to be used to train personnel who support the S-3 operations. NAVFAC Publication P-80 provides two methods to compute the basic requirement for applied instruction buildings. At NAS Cecil Field, the S-3 training operations occupies a 35,500-square-foot facility. In the FY 1995 BRAC MILCON budget, project P-187T was for 25,400 square feet and \$2.6 million. In January 1994, NAVFAC appropriately revised the DD Form 1391 to 35,500 square feet and \$5 million in accordance with the existing space occupied at NAS Cecil Field.

Maintenance Facility Addition. and Avionics Aircraft Engine Project P-188T is for the construction of additions to three buildings to provide maintenance. and avionics S-3 intermediate engine for NAVFAC Publication P-80 provides criteria for maintenance facilities according to the type and number of aircraft being supported. In January 1994, NAVFAC appropriately revised the estimated cost on the DD Form 1391 from \$2.8 million to \$5.7 million. The increased cost was to provide special building foundation features, utilities, parking facilities, and access roads to support the aircraft engine testing facility.

Evaluation of A-6 Facilities. Because the A-6 squadrons at NAS Oceana are being phased out 2 years earlier than planned, training facilities will also become available in FY 1997. During the audit, the Navy officials reevaluated the A-6 aviation maintenance training facilities for use by the S-3 squadrons relocating from Cecil Field in FY 1997. At least one training and operations facility exceeded the space requirement. However, NAS Oceana officials stated that an economic analysis is needed to determine the cost feasibility of using the existing training and operations facilities. Except for one classroom, no major modifications are needed to house the S-3 training requirements in existing A-6 training facilities. The maintenance of facilities that the A-6 squadrons are

vacating at NAS Oceana exceed the space requirements of the S-3 squadrons relocating from NAS Cecil Field. NAS Oceana officials have not analyzed the alternative of using the existing A-6 squadron facilities to satisfy the realignment requirements. Therefore, all of the NAS Oceana projects are questionable.

Realignment to MCAS Cherry Point

To accommodate the realignment of functions to MCAS Cherry Point, three FY 1995 BRAC MILCON projects were developed by MCAS Cherry Point and Naval Hospital Cherry Point personnel:

- o project P-092T, "Missile Magazines," November 3, 1993, valued at \$3.5 million,
- o project P-500T, "Flight Line Clinic," November 3, 1993, valued at \$3.6 million, and
- o project P-506T, "Water Survival Training Facility," November 3, 1993, valued at \$2.3 million.

Missile Magazines. Project P-092T is for the construction of five missile magazines to provide missile storage facilities for the F/A-18 aircraft squadrons relocating to MCAS Cherry Point. NAVFAC Publication P-80 provides criteria for missile magazines according to the quantity and type of missiles to be stored.

Mission Reductions and Training Range Restrictions. NAS Cecil Field supports a fighting and training mission. Only the training mission will be realigned from NAS Cecil Field to MCAS Cherry Point. In addition, the training mission at MCAS Cherry Point will be limited by restrictions on the training ranges.

Evaluation of Requirements and Alternatives. The missile magazine project in the FY 1995 BRAC MILCON budget is for a 23,000-square-foot facility. The project was planned by NAVFAC personnel without:

- o determining the type and number of missiles necessary to support the reduced training mission at MCAS Cherry Point,
- o evaluating existing facilities at MCAS Cherry Point to determine suitability for missile storage, and
 - o preparing an economic analysis.

NAVFAC personnel were hindered in the project planning because:

- o the Commander in Chief, Atlantic Fleet, did not provide the information requested by NAVFAC on the type and number of missiles, and
- o MCAS Cherry Point officials did not provide NAVFAC information on the availability of existing assets at MCAS Cherry Point.

During the audit, NAVFAC awarded a contract to determine the facility requirements for the training mission and to evaluate the availability of existing assets at MCAS Cherry Point.

Flight Line Clinic. Project P-500T is for the construction of a \$3.6 million flight line clinic (the clinic). The clinic will provide medical and dental treatment for the additional personnel realigning to MCAS Cherry Point. For planning purposes, NAVFAC Publication P-80 provides criteria for medical clinics according to projected workload.

Original Estimate for the Clinic. A project data sheet dated June 4, 1993, was for a 33,602-square-foot clinic estimated to cost \$7.8 million to provide medical care for active-duty members and their dependents. Navy officials at the Naval Hospital Cherry Point initially planned the project based on the active-duty troop strength of personnel and their dependents transferring from NAS Cecil Field. Naval Hospital Cherry Point officials did not consider current MCAS Cherry Point workload being reassigned to other Navy and Marine Corps activities or the possibility that the health care capability at the Naval Hospital Cherry Point could be expanded.

Revisions to Original Estimate. In November 1993, Navy officials reduced the project to 25,600 square feet and reduced the estimated costs to \$3.6 million. Dependent care was deleted from the project without determining the most cost-effective way to provide health care to dependents. Navy officials could not explain why the changes were accomplished. When alternatives exist that involve a choice, an economic analysis is required to support the decision. During our audit, the revised project was forwarded to both the Naval Bureau of Medicine and Surgery and the Assistant Secretary of Defense (Health Affairs) for review and approval as required by NAVFAC Instruction 11010.44E.

Subsequent Economic Analysis. After we completed the audit field work, the Office of the Deputy Assistant Secretary of Defense (Health Services Operations) completed an economic analysis of project P-500T and determined that the project was valid and the most cost-effective. As a result of a review of this analysis, we concur that the project is valid.

Water Survival Training Facility. Project P-506T is for the construction of a 20,540-square-foot water survival training facility, valued at \$2.3 million, for aircrews relocating with F/A-18 squadrons from NAS Cecil Field.

Water Survival Training Facility at NAS Cecil Field. Because NAS Cecil Field does not have a water survival training facility, air crews stationed at NAS Cecil Field receive water survival training at

NAS Jacksonville, Florida. NAS Jacksonville and the NAS Jacksonville water survival training facility will continue to remain open after NAS Cecil Field closes.

Water Survival Training Facility at MCAS Cherry Point. Water survival training for air crews already stationed at MCAS Cherry Point is conducted at an outdoor pool. The pool, which can only be used during good weather, is also used for Marine combat water survival training and for recreation. In December 1982, MCAS Cherry Point requested MILCON (not BRAC MILCON) project P-843, "Heat/Cover Combat Training Pool." The project is to heat, cover, and rehabilitate the pool. MILCON project P-843 is programmed for FY 1996 and is estimated to cost \$2.1 million.

Naval Hospital Cherry Point Decision Regarding Alternatives for the Water Survival Training Facility. Naval Hospital Cherry Point planning officials did not consider alternatives to new construction or prepare the required economic analysis because they believed that no feasible alternatives other than new construction satisfied the facility requirement. We found no indication that the planning officials performed a thorough analysis before reaching the conclusion that construction of a new water training facility was the only alternative. For example, Naval Hospital Cherry Point officials did not evaluate the benefit of requesting additional modification to the existing pool and requesting conjunctive funding (MILCON and BRAC MILCON) or continuing the use of the NAS Jacksonville facility.

Realignment to MCAS Beaufort

A Marine Corps reserve F/A-18 squadron, a Navy reserve F/A-18 squadron, and a Navy reserve carrier air wing will realign to MCAS Beaufort. To accommodate the realignment, the Navy developed project P-396T, "Hangar Renovation," valued at \$4 million.

Hangar Renovation. Project P-396T is for the renovation of two existing hangars. NAVFAC Publication P-80 provides criteria for hangars according to the type and number of aircraft.

The 37,570-square-foot hangar renovation project was planned based on the lessor of the basic requirement or existing assets at NAS Cecil Field. However, the existing assets at NAS Cecil Field used in the planning process could not be validated because data from various sources differed on the square footage of the existing assets. The square footage ranged from 38,288 to 43,570, depending on the source used.

Adequacy of Supporting Documentation. The documentation to support the costs for project P-396T was not adequate to support the project funding in the FY 1995 BRAC MILCON. The estimated cost-per-square-foot for the primary facility ranged from \$73 to \$91 per square foot. In addition, an economic analysis, which analyzed renovation versus new construction, used \$200 per

square foot for the cost of new construction. The \$200-per-square-foot cost is double the cost of new construction provided in Military Handbook, "Cost Engineering: Policy and Procedures."

Resistance to Relocation to MCAS Beaufort. The Commander, Naval Air Reserve Forces, the Marine Corps, and the Marine Reserve Force have questioned the suitability of MCAS Beaufort for the Navy and Marine Corps reserves. Navy and Marine Corps officials have indicated that they plan to request a redirection from the 1995 Commission to prevent the implementation of the realignment of the F/A-18 reserve squadrons and the reserve carrier wing to MCAS Beaufort.

Internal Controls

Required Reviews of Project Documentation. NAVFAC Instruction 11010.44E requires that major claimant (approving authority) review MILCON project documentation to ensure that the projects forwarded by the requestor are necessary and fully supported for programming. Justification should include documentation of the step-by-step process by which the requirement was developed and should stand alone when reviewed by others.

For BRAC projects, the Navy Deputy Chief of Staff (Logistics) may revise DD Forms 1391 to enhance executability and to allow programming flexibility, as stated in a June 4, 1993, message from the Commander, NAVFAC. In addition, in a February 23, 1990, memorandum of understanding between the Military Departments and the Defense Medical Facilities Office, the Defense Medical Facilities Office assumed responsibility for the development of the BRAC MILCON program for medical facilities.

NAVFAC Internal Control Implementation. On December 14, 1993, the Commander, NAVFAC, issued a memorandum instructing all NAVFAC field activities to

identify BRAC Funding as a separate assessable unit for the current five-year Management Control Program. The vulnerability [risk] assessment should be a 'high' risk rating due to the nature of the program and the continuous processes evolving within the program.

The December 14, 1993, memorandum was issued after the Navy planned and documented the seven projects. Management's full implementation of the NAVFAC Commander's policy should improve the internal controls over validating and documenting BRAC project requirements.

Adequacy of NAS Cecil Field Project Documentation

BRAC MILCON as an Assessable Unit. The budget estimates on DD Forms 1391 were developed from inadequately defined facility requirements because the Navy did not evaluate changes in the mission or projected base loading or did not consider the use of existing assets in planning the proposed projects. Accordingly, internal controls were not followed or were not adequate to justify the facility requirements for seven projects. Neither the Commander In Chief, Atlantic Fleet; the Naval Bureau of Medicine and Surgery (approving authority); nor the commanders at MCAS Cherry Point, Naval Hospital Cherry Point, NAS Oceana, and MCAS Beaufort (requestors) identified the BRAC MILCON validation process as an assessable unit for the DoD Internal Management Control Program.

Vulnerability Assessment of the Navy BRAC MILCON Process. Each of the base commanders (requestors) and the officials responsible for approving BRAC projects considered validation of BRAC MILCON requirements to be within the purview of NAVFAC and, as such, did not wish to duplicate the effort. However, when comparing the planning, estimating, and programming process for BRAC MILCON with the normal MILCON process, the BRAC MILCON process is accomplished in a much shorter time frame. The shorter time frame forces planning officials to take short cuts, in effect compromising many of the internal controls NAVFAC established for the normal MILCON process and increasing the vulnerability of BRAC funds to waste. Not every DD Form 1391 is subject to audit; therefore, to prevent waste and to prevent building facilities that do not satisfy realigning missions, the approving authority must assess the Navy vulnerability associated with validating BRAC MILCON requirements, and design and implement internal control procedures to ensure that missions are realigned to adequate facilities.

Recommendations, Management Comments, and Audit Response

Revised, Redirected, and Unresolved Recommendations. As a result of management comments provided by the Office of the Assistant Secretary of Defense (Health Affairs), we revised draft Recommendation 5.a. to withhold funding by deleting project P-500T from the list of projects. Because the Navy did not provide comments on a draft of this report, we redirected Recommendations 5.a. and 5.b. to the Comptroller of the Department of Defense. We request that the Navy provide comments on Recommendations 1., 3., and 4. in its response to the final report.

1. We recommend that the Deputy Chief of Staff of Naval Operations (Logistics) conduct a thorough analysis to determine the most cost-effective alternative for providing the facility requirements for projects P-186T,

P-187T, P-188T, P-092T, and P-506T at the Naval Air Stations Oceana and Cherry Point to support the realignment from Naval Air Station Cecil Field.

2. We recommend that the Director, Defense Medical Resources Office, Office of the Secretary of Defense (Health Affairs), conduct a thorough analysis to determine the most cost-effective alternative for providing the health care facility requirements for project P-500T at the Marine Corps Air Station Cherry Point to support the realignment from Naval Air Station Cecil Field.

Management Comments. The Deputy Assistant Secretary of Defense (Health Services Operations) nonconcurred with the finding discussion that stated that project P-500T was not adequately documented. The Deputy Assistant Secretary stated that the report focused on the adequacy of the Navy's initial planning for the Marine Corps Air Station Cherry Point clinic project and on Navy compliance with both Navy planning procedures and the DoD Internal Management Control Program. The Deputy Assistant Secretary also stated that his office has final approval authority for all medical military construction projects.

The Deputy Assistant Secretary did not agree that the validity of project P-500T, "Flight Line Clinic," was questionable. The Deputy Assistant Secretary stated that his Economic Analysis and Management Support Directorate had completed a detailed analysis on April 8, 1994. The analysis determined that the most cost-effective alternative for providing a health care facility to meet the needs of the incoming force from Naval Air Station Cecil Field was a small clinic for active-duty personnel. The economic analysis determined that the number of military beneficiaries and active-duty members at the Naval Air Station Cherry Point would increase 49 percent over the average historical level as a result of realigning the military organizations from the Naval Air Station Cecil Field. Finally, the feasibility of expanding the existing hospital was constrained by the hospital site, and building a health care facility to accommodate the clinical needs of military family members was not a cost-effective alternative.

Audit Response. Although the Deputy Assistant Secretary of Defense (Health Services Operations) nonconcurred with the finding discussion of the flight line clinic project, the actions taken by the Office of the Deputy Assistant Secretary satisfied the recommendation to perform an economic analysis. Further, we agree that the economic analysis supported the need for the flight line clinic. No additional comments are required for this recommendation.

3. We recommend that the Commander In Chief, Atlantic Fleet:

a. Identify the Navy's base realignment and closure medical construction program as an assessable unit in the Internal Management Control Program.

- b. Develop procedures to ensure that medical base realignment and closure military construction projects are adequately validated and based on reliable and verifiable personnel migration data before programming, budgeting, and designing.
- 4. We recommend that the Chief, Naval Bureau of Medicine and Surgery:
- a. Identify medical base realignment and closure military construction programs as assessable units in the Naval Bureau of Medicine and Surgery Internal Management Control Program.
- b. Develop procedures to ensure that medical base realignment and closure military construction projects are adequately validated and based on reliable and verifiable data before programming, budgeting, and designing.
- 5. We recommend that the Comptroller of the Department of Defense:
- a. Suspend funding for projects P-186T, P-187T, P-188T, P-092T, and P-506T until the Navy determines the most cost-effective alternative to provide the facilities to support the requirements.
- b. Suspend funding for project P-396T until the Navy makes a decision regarding the suitability of Marine Corps Air Station Beaufort for realignment of the Marine Corps reserve F/A-18 Hornet strike-fighter aircraft squadron, the Navy reserve F/A-18 Hornet strike-fighter aircraft squadron, and the Navy reserve carrier air wing from Naval Air Station Cecil Field.

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Part III - Additional Information

Appendix A. Base Realignment and Closure Military Construction Projects Reviewed

Gaining Location	<u>Project</u>	Project Title	Amount (millions)
NAS Oceana	P-186T	Training and Operations Facility	\$ 2.6
NAS Oceana	P-187T	Academic Instruction Building	2.6
NAS Oceana	P-188T	Aircraft Engine and Avionics Maintenance Facility Additions	2.8
MCAS Cherry Point	P-092T	Missile Magazines	3.5
MCAS Cherry Point	P-500T	Flight Line Clinic	3.6
MCAS Cherry Point	P-506T	Water Survival Training Facility	2.3
MCAS Beaufort	P-396T	Hangar Renovation	4.0
Total			<u>\$21.4</u>

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD

Report No.	Report Title	<u>Date</u>
94-141	Defense Base Realignment and Closure Budget Data for the Realignment for Naval Air Station Dallas, Texas, and Memphis, Tennessee, Realigning to Carswell Air Reserve Base, Texas	June 17, 1994
94-127	Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Personnel Support Center to the Naval Aviation Supply Compound in North Philadelphia, Pennsylvania	June 10, 1994
94-126	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Glenview, Illinois, and Realignment Projects at Fort McCoy, Wisconsin, and Carswell Air Reserve Base, Texas	June 10, 1994
94-125	Defense Base Realignment and Closure Budget Data for the Naval Medical Center Portsmouth, Virginia	June 8, 1994
94-121	Defense Base Realignment and Closure Budget Data for Naval Air Technical Training Center, Naval Air Station Pensacola, Florida	June 7, 1994
94-109	Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for Naval Training Center Great Lakes, Illinois	May 19, 1994
94-108	Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for Naval Station Treasure Island, California	May 19, 1994

Inspector General, DoD (cont'd)

94-107	Griffiss Air Force Base, New York, Defense Base Realignment and Closure Budget Data for Military Construction at Other Sites	May 19, 1994
94-105	Defense Base Realignment and Closure Budget Data for a Tactical Support Center at Naval Air Station Whidbey Island, Washington	May 18, 1994
94-104	Defense Base Realignment and Closure Budget Data for the Defense Contract Management District-West	May 18, 1994
94-103	Air Force Reserve 301st Fighter Wing Covered Aircraft Washrack Project, Carswell Air Reserve Base, Texas	May 18, 1994
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993	May 25, 1993

Naval Audit Service

023-S-94	Military Construction Projects Budgeted and Programmed for Bases Identified for Closure or Realignment	January 14, 1994
023-C-93	Implementation of the 1993 Base Closure and Realignment Process	March 15, 1993

Appendix C. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit	
1., 2.	Economy and Efficiency. Determines the most cost-effective alternative to satisfy BRAC requirements.	Undeterminable.*	
3.a., 4.a.	Internal Controls. Establishes BRAC projects as accessible units.	Undeterminable.*	
3.b., 4.b.	Internal Controls. Develops procedures to validate BRAC project data.	Undeterminable.*	
5.a., 5.b.	Economy and Efficiency. Suspends funding until the most cost-effective alternative is determined and decisions are made regarding realignment of the Navy and Marine Corps reserve units.	Up to \$17.8 million FY 1995 Base Closure Account funds put to better use.	

^{*}Exact amount of additional benefits to be realized will be determined by future budget decisions and budget requests.

Appendix D. Organizations Visited or Contacted

Office of the Secretary of Defense

Office of the Under Secretary of Defense for Acquisition and Technology, Washington, DC Office of the Comptroller of the Department of Defense, Washington, DC Office of the Assistant Secretary of Defense (Health Affairs), Washington, DC

Department of the Navy

Chief of Naval Operations, Washington, DC Deputy Chief of Naval Operations (Logistics), Washington, DC Office of the Comptroller of the Navy, Washington, DC Headquarters, Marine Corps, Washington, DC Department of Aviation, Washington, DC Installations and Logistics Department, Washington, DC Marine Reserve Force, New Orleans, LA Detachment A, Jacksonville, FL Marine Corps Air Station Beaufort, Beaufort, SC Marine Corps Air Station Cherry Point, Cherry Point, NC Atlantic Fleet, Norfolk, VA Naval Air Force Atlantic, Norfolk, VA Naval Air Station Cecil Field, Jacksonville, FL Naval Air Station Oceana, Virginia Beach, VA Naval Bureau of Medicine and Surgery, Washington, DC Naval Health Care Support Office, Norfolk, VA Naval Hospital, Cherry Point, NC Naval Hospital, Jacksonville, FL Naval Facilities Engineering Command, Alexandria, VA Atlantic Division, Norfolk, VA Southern Division, North Charleston, SC Naval Air Reserve Detachment, Jacksonville, FL Naval Audit Service, Arlington, VA

Other Government Organization

General Accounting Office, Washington, DC

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology

Comptroller of the Department of Defense

Assistant Secretary of Defense (Economic Security)

Deputy Assistant Secretary of Defense (Economic Reinvestment and Base Realignment and Closure)

Assistant Secretary of Defense (Force Management and Personnel)

Assistant Secretary of Defense (Health Affairs)

Principal Director, Defense Medical Resources Office

Director, Economic Analysis and Management Services

Assistant Secretary of Defense (Reserve Affairs)

Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Secretary of the Navy

Assistant Secretary of the Navy (Financial Management)

Assistant Secretary of the Navy (Installations and Environment)

Commandant of the Marine Corps

Deputy Chief of Staff for Aviation

Deputy Chief of Staff for Installations and Logistics

Commanding Officer, Marine Reserve Force

Commanding Officer, Marine Corps Air Station Beaufort

Commanding Officer, Marine Corps Air Station Cherry Point

Deputy Chief of Naval Operations (Logistics)

Commander In Chief, Atlantic Fleet

Commander, Naval Air Force Atlantic

Commander, Naval Air Station Cecil Field

Commander, Naval Air Station Oceana

Naval Bureau of Medicine and Surgery

Officer in Charge, Naval Health Care Support Office

Commanding Officer, Naval Hospital Cherry Point

Commanding Officer, Naval Hospital Jacksonville

Commander, Naval Facilities Engineering Command

Commander, Naval Reserve Force

Auditor General, Naval Audit Service

Department of the Air Force

Auditor General, Air Force Audit Agency

Other Defense Organizations

Director, Defense Contract Audit Agency

Director, Defense Logistics Agency

Director, National Security Agency

Inspector General, Central Imagery Office

Inspector General, Defense Intelligence Agency

Inspector General, National Security Agency

Director, Defense Logistics Studies Information Exchange

Non-Defense Federal Organizations and Individuals

Office of Management and Budget

Technical Information Center, National Security and International Affairs Division, General Accounting Office

Chairman and Ranking Minority Member of Each of the Following Congressional Committees and Subcommittees:

Senate Committee on Appropriations

Senate Subcommittee on Defense, Committee on Appropriations

Senate Committee on Armed Services

Senate Committee on Governmental Affairs

House Committee on Appropriations

House Subcommittee on Defense, Committee on Appropriations

House Committee on Armed Services

House Committee on Government Operations

House Subcommittee on Legislation and National Security, Committee on Government Operations

Senator Lauch Faircloth, U.S. Senate

Senator Jesse Helms, U.S. Senate

Senator Ernest Hollings, U.S. Senate

Senator Charles Robb, U.S. Senate

Senator Strom Thurmond, U.S. Senate

Senator John Warner, U.S. Senate

Congressman H. Martin Lancaster, U.S. House of Representatives

Congressman Owen Pickett, U.S. House of Representatives

Congressman Floyd Spence, U.S. House of Representatives

Part IV - Management Comments

Office of the Assistant Secretary of Defense (Health Affairs) Comments



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE WASHINGTON, DC 20301-1200

MAY 23 1994

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Response to Quick-Reaction Report on the Audit of Defense Base Closure and Realignment Budget Data on Marine Corps Air Station Cherry Point

Thank you for the opportunity to review the audit findings and recommendations on the subject project. Clarification of several points are offered.

The draft report primarily focuses on the adequacy of the Navy's initial planning for Cherry Point's clinic project and on the compliance of Navy planners with both Navy planning procedures and the DoD Internal Management Control Program. These issues are best addressed by the command of Naval Hospital (NH) Cherry Point and by the Navy's Bureau of Medicine and Surgery. The report goes on to suggest that because the Department of Defense Inspector General (DoDIG) could not successfully validate the Navy planning assumptions the project to build a flight line clinic is questionable. We do not concur with this assessment.

Initial Service planning for any proposed MILCON project is an important first step in determining and/or validating the requirement. It identifies problem areas for DoD and recommends a solution. Once submitted, the project is forwarded to our Economic Analysis and Management Support (EAMS) Directorate, Office of the Assistant Secretary of Defense (Health Affairs) for a comprehensive evaluation. Occasionally, projects may be disapproved or a different solution proposed if the basis of the project cannot be validated as submitted. Once approved by Health Services Operations, recommendations for the project are forwarded to the Defense Medical Facilities Office (DMFO) for design. Again, later in the design process, EAMS revalidates the project. The role of the Services is an important one; however, the OASD(HA) has final approval authority for all medical military construction.

Final Report Reference

Added

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EAMS staff recently completed a detailed analysis of the requirements for a flight line clinic for Cherry Point. They found that although the air station's new hospital will be able to meet many of the health care needs of the incoming force from Naval Air Station (NAS) Cecil Field, additional health care facilities are necessary. They concluded that a small clinic for active duty personnel was a cost-effective way of providing the extra capacity that will be needed. The final report was approved on 8 April 1994, and forwarded to the Assistant Secretary of the Navy (M&RA) and the Navy Surgeon General.

Revised Page 12

The draft audit report raised three concerns about the Cherry Point project. One was that the command of Naval Hospital (NH) Cherry Point failed to consider a Navy plan to downsize troop strengths at Cherry Point when it planned the flight line clinic. The comment implies that either the influx of personnel from Cecil Field will be offset to some extent by a plan to permanently reduce Cherry Point's Marine Corps troop strength or that the planned BRAC migration plan has been changed. There does not appear to be any Navy or Marine Corps plan to substantiate this statement.

From FY 87 through FY 93, the number of eligible military beneficiaries served by NH Cherry Point averaged 9,953 personnel. Actual numbers of military beneficiaries varied cyclically over that period, from a low of 9,031 personnel in FY 87 to a high of 10,888 in FY 92, but without any long term trends up or down. We are unaware of any deliberate actions taken by the Navy or Marine Corps over that period to permanently reduce troop strengths on the installation.

As for the future, the Deputy Chief of Staff, Aviation Support and Manpower Branch (Code ASM-54), Headquarters, Marine Corps, claims that no significant manpower changes are being planned for the Marine Corps side of Cherry Point through FY 99. On the Navy side, the Aviation Manpower and Training Division, Airwarfare Directorate, verifies that the BRAC migration is still intact. EAMS estimates that under current plans for the Navy and Marine Corps, the numbers of military beneficiaries and active duty family members at Cherry Point will increase by roughly 49 percent over their average historical levels as a result of the BRAC migration in FY 98.

A second concern raised in the audit report is that the command of NH Cherry Point failed to consider expanding Cherry Point's hospital to accommodate the influx of active duty beneficiaries. Both EAMS and DMFO examined the possibilities of expanding the hospital. Both concluded that the hospital cannot be adequately expanded. The potential for horizontal expansion is severely constrained by a combination of steep embankments and

EPA mandated collection ponds. Vertical expansion is not feasible as a cost saving technique because the steel frame of the structure was designed in a manner that precludes building upwards.

A final concern raised is about the treatment of active duty family members coming from Cecil Field. The draft audit report claims that the Navy first proposed the possibility of treating the incoming family members, then subsequently abandoned the idea in favor of a clinic for active duty personnel. It cites the need for economic analysis when alternatives exist. In its investigation, EAMS compared the health care requirements of incoming family members with the new hospital's capacity, and examined the alternatives available to NH Cherry Point for treating any needs that could not be absorbed by the hospital. They concluded that building additional facilities at NH Cherry Point to accommodate the needs of family members was not a cost-effective solution.

Under our procedures for evaluating military medical construction projects, EAMS will revalidate the requirements for Cherry Point's clinic project during the design process. Our point of contact for this ongoing analysis by EAMS is LTC Richard Guerin. Should you have any questions, you may reach him at (703) 756-2081.

Harold M. Koenig, RADM, MC, USN
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INTERNET DOCUMENT INFORMATION FORM

- A . Report Title: Defense Base Realignment and Closure Budget Data for Closing Naval Air Station Cecil Field, Florida, and Realigning Projects to Various Sites
- B. DATE Report Downloaded From the Internet: 03/21/99
- C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #):

 OAIG-AUD (ATTN: AFTS Audit Suggestions)
 Inspector General, Department of Defense
 400 Army Navy Drive (Room 801)
 Arlington, VA 22202-2884
- D. Currently Applicable Classification Level: Unclassified
- **E. Distribution Statement A**: Approved for Public Release
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